



The Real Estate TRENDS

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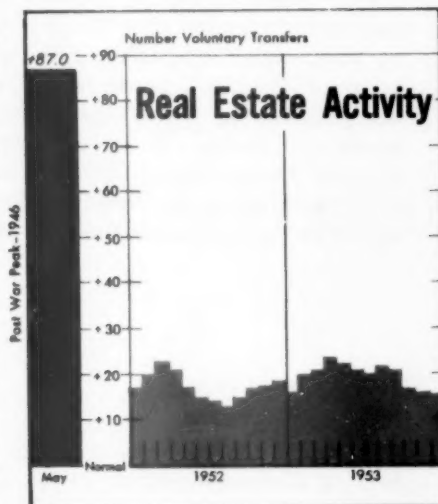
A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

Number 4

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

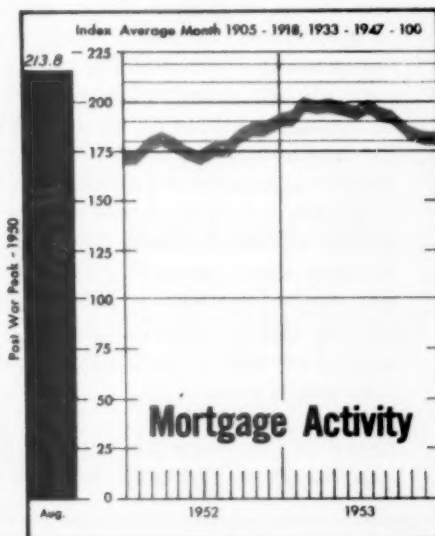
REAL ESTATE ACTIVITY

Since 1951, real estate activity has enjoyed the most protracted period of stability in the history of the country. Our national activity index has moved up and down in a rather narrow band between 13 and 23 points above the normal line. Total volume has ranged from 4,362,000 voluntary sales in 1951 to 4,638,000 sales in 1953 (the second highest year on record). During this period the sale of new houses accounted for roughly one-fourth of the transfers. The probabilities are that activity will run around 10 to 15 points above normal for the year, and this will mean a total volume of 4,200,000 to 4,500,000 voluntary sales. However, while 1954 will probably not show a serious drop in real estate activity, it will be a year in which the various indexes should be watched most closely.



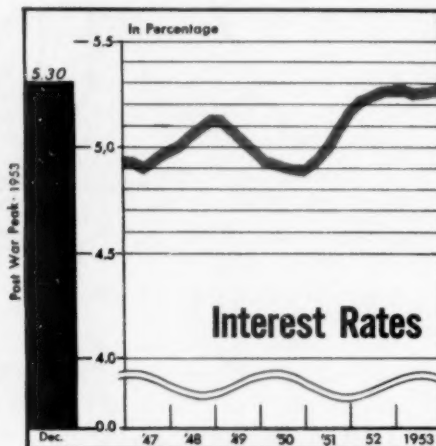
MORTGAGE ACTIVITY

When final figures are available they will show that 1953 set the all-time record for dollar volume of mortgages recorded (of \$20,000 or less). They will most probably show that 1953 also established a new record in the number of mortgages written (including an increasing number of seconds). Activity during this year will not be so high as it was in 1953. Nevertheless it will be a good year for the mortgage business, and a year of many significant developments as various portions of the Eisenhower housing program are fought through Congress. We will watch the course of this legislation closely during the year, and report on its probable impact on the real estate industry.



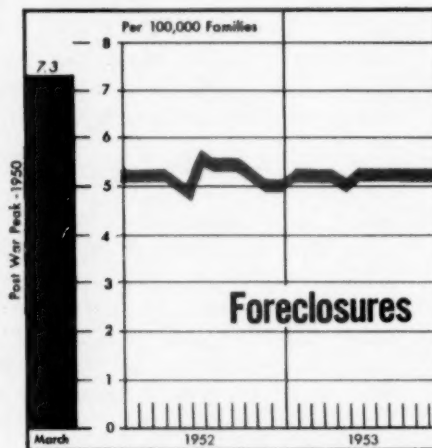
INTEREST RATES

Following their rather sharp rise in 1952, average mortgage interest rates held steady during all of 1953 at their postwar high of 5.3%. The chances are that there will be little change in the average rates, with the possibility of a slow downward drift. The bitterest question and the point of most important change is the rate on FHA-VA loans. The President's Housing Committee has recommended that these rates be set by Washington officials, and that they be no more than $2\frac{1}{2}\%$ above the average yield on outstanding Government bonds of 15 years or more. It is too soon to say whether or not the changes in these rates recommended by the Housing Committee will be voted by Congress. Developments in this field could easily make or break the housing boom for 1954.



FORECLOSURES

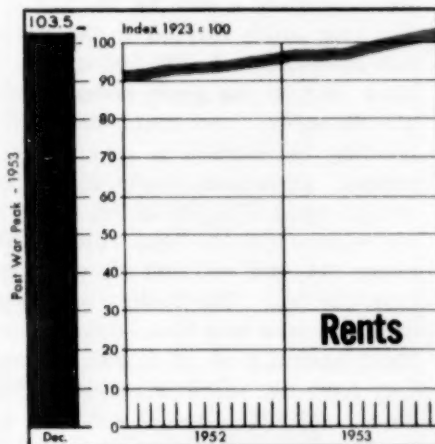
For years the foreclosure rate has been moving at a near-record low level. During 1953 it remained unchanged. We believe that 1954 will see no important change in this index, but think that a small increase is more likely than a decline. It is not only historically true, but logical that foreclosures do not increase appreciably in the face of rising or stable prices. We do not look for sudden or serious increases in foreclosures because we think that, while construction costs may decline slightly and prices of older houses are almost certain to drop more than slightly, neither drop will be big enough in 1954 to have an important effect on foreclosures. Any widespread trouble in foreclosures is still several years away.



Later on this year we will report on the foreclosure and delinquent-payment experience of mortgage lenders throughout the country.

RENTS

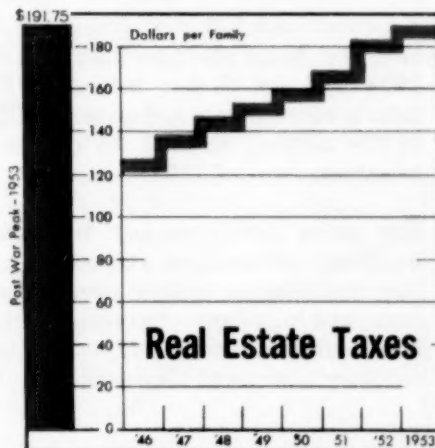
During 1952, the national rent index rose 4.6%. During 1953, it rose 5.3%. This slight difference scarcely bears out the prophecies of runaway rents that were made by the proponents of rent control. This year will see a continued rise in the rent level, but it will be many years before rents play the important part in the American economy that they have in the past. Rental units are slowly but surely losing their economic appeal for middle-income families. After 11 years of rent control, a generation of American renters has become so accustomed to low rent that it will not pay the charges necessary to support new rental building. Naturally, there will always be some market for rental units, but it is a market that is slowly dwindling.



REAL ESTATE TAXES

The national average real estate tax per family has increased 67% since 1945, and it will go still higher in 1954. We are all familiar with the many civic needs and improvements that must be provided for our rapidly increasing and ever-shifting population.

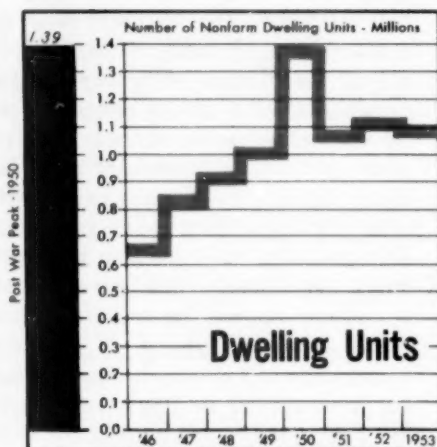
The present national average tax load per family (based on surveys in 94 cities) is \$191.75. The range is from \$481.27 per family in Boston, to \$75.59 per family in Memphis.



Although real estate taxes have been in a steady rise for about 10 years, other forms of city and county revenue have risen even faster. As a result, the proportion of the overall city tax load borne by property owners has been in a downward trend.

DWELLING UNITS

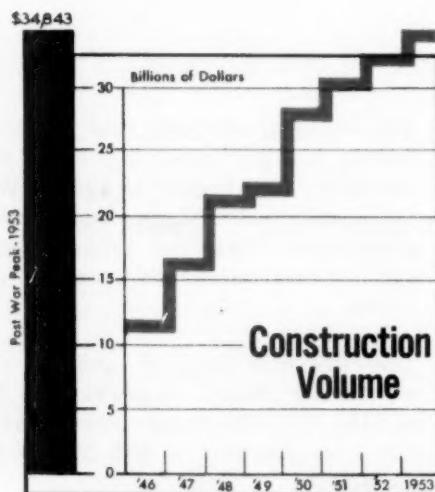
For 5 years in a row the number of nonfarm dwelling units started in the United States has passed the 1,000,000 mark. Whether 1954 will be the sixth consecutive year is questionable, and much depends on what housing legislation is ground out by Congress. If we had to pinpoint a figure, we would guess 975,000 units, but in any event we believe that the total volume will run so close to 1,000,000 that the variance will be insignificant. The Bildors are fighting hard to make sure that their industry will reach their annual goal of 1,000,000 units, and they have the administration solidly behind them. At this time it appears that Congress will prove amenable to most of their recommendations.



CONSTRUCTION VOLUME

Last year saw dollar volume of all construction rise to an all-time high, and volume in 1954 will not be far behind. The best-informed sources estimate a total volume of \$34 billion, or only 2% off the record-breaking level of 1953.

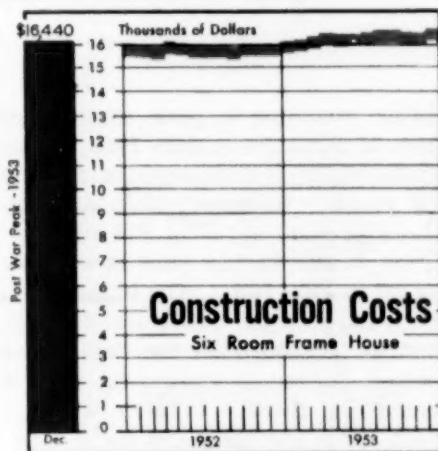
Big gains are expected in commercial building, alterations and additions to private residences, public educational buildings, and highways. Drops are expected in farm construction, public housing, and military and naval facilities.



Studies we have under way at this time indicate that despite the record dollar volume of postwar building, we have not approached the dangerous amount of overbuilding that occurred during the twenties. The results of these studies will be published as soon as we can complete them.

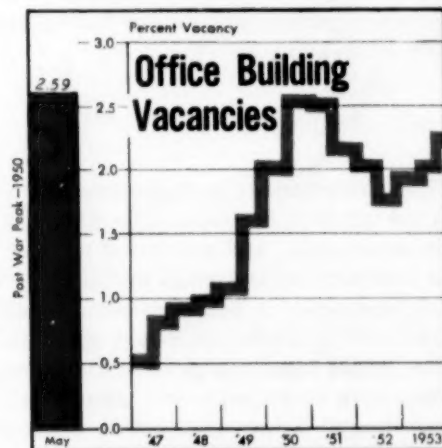
CONSTRUCTION COSTS

During the past 2 years, residential construction costs have also been remarkably stable. In 1952, the cost of our standard six-room frame house actually decreased one-third of 1% from January to December. In 1953, the cost rose 1.9% during the year. Here, again, we think that 1954 will see relatively little change, but the probabilities are that what changes do occur will be in a downward direction.



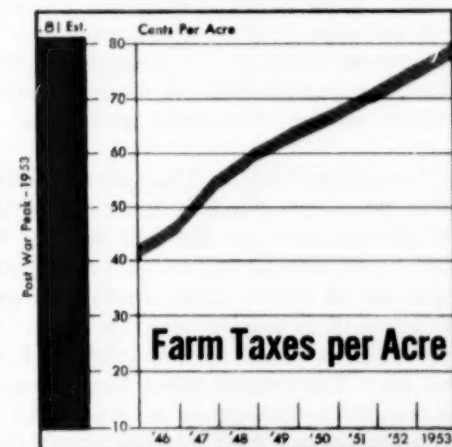
OFFICE BUILDING VACANCIES

While soundly financed and well-located office buildings are good long-term investments, a good many of the high-priced buildings now being erected are hazardous. Nevertheless, office building construction will continue at a brisk pace during 1954, and the vacancy level will increase.



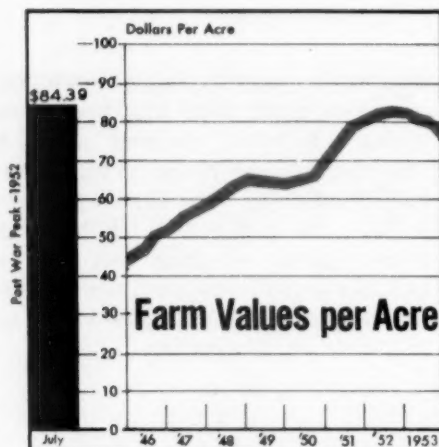
FARM TAXES PER ACRE

Since reaching its low point of 36¢ per acre in 1943, the average tax on farm real estate has risen 125%, and will probably go up another notch in 1954. It should be remembered that this figure is based on the taxes on both land and buildings. Naturally, smaller farms would have a higher tax per acre because the tax on the buildings is included.



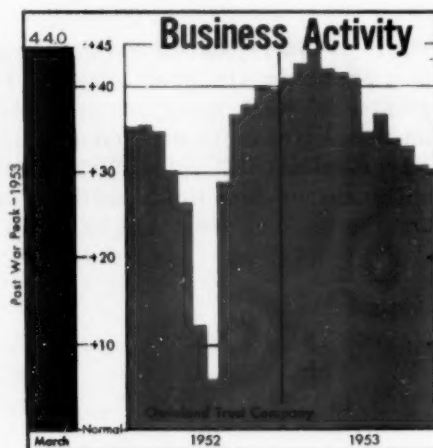
FARM VALUES PER ACRE

After reaching a peak average value of \$84.39 per acre in July 1952, farm values suffered their first serious price break in 20 years. However, this drop of $6\frac{1}{2}\%$ to their present level of \$78.98 still leaves farm values higher than at any other time prior to July 1951. The biggest drops have been found in the cattle and drought States, and we believe that the decline has a far better chance of continuing than it has of reversing itself. In other words, we expect farm incomes and farm land values to undergo further shrinkage. However, most experienced farmers have little cause for long-term worry.



BUSINESS ACTIVITY

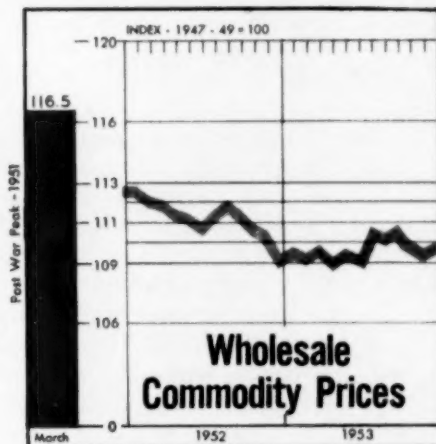
The Government is a good deal more worried about a business downturn than most businessmen, and with good reason. While a downturn in business would be of varying seriousness to businessmen, most would recover in a comparatively short time. On the other hand, a protracted downturn in business could very well result in the Republicans' being out of office for another 20 years, and we are sure that they don't want that. This is not to question the sincerity of the administration's comments on the business outlook. We simply mention it as one explanation of its somewhat bearish attitude on the short-term prospects.



Although we are in the midst of a business downturn, there are many factors that point to a slackening or a leveling off in the decline. For one thing, an air of confidence runs through most of the business population. This is evidenced by the enormous spending for plant and improvement scheduled for the first quarter of 1954. This amount is expected to exceed the amount spent in any quarter of record-breaking 1953. Although we are feeling optimistic at the moment, we realize that 1954-1955 can bring changes that will drastically affect us all. The course taken by the real estate and construction industry will have a decided influence on all business activity. We will report developments to you and do our best to anticipate the changes as the year unfolds.

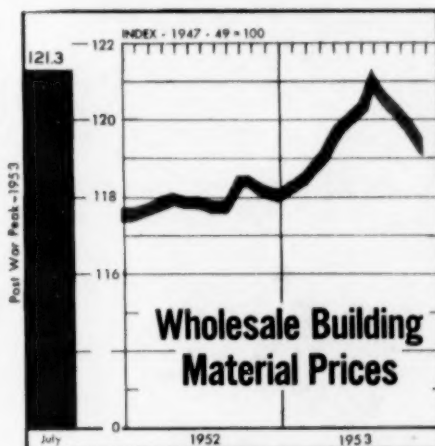
WHOLESALE COMMODITY PRICES

During all of 1953 the wholesale commodity price index was unusually stable. It started the year at the 109.9 level and finished out at 110.1. The biggest variation throughout the year was 1.6%, and this took place in only a 5-month period. The outlook for 1954 is for a slow downward drift in the index. We anticipate no startling changes.



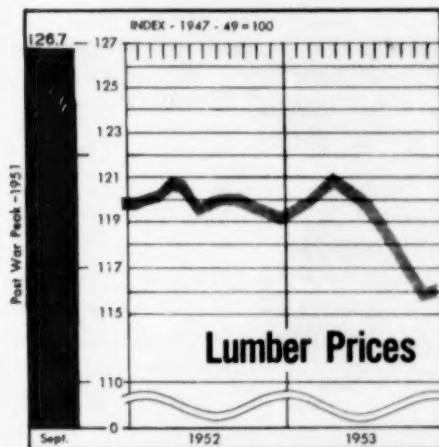
WHOLESALE BUILDING MATERIAL PRICES

A drop of only 1.5% in an index is not usually of much concern to anyone. However, this drop, which took place during the last half of 1953, marks the first consistent halt in several years in the rise of material prices. We should, therefore, be thankful for the reversal of trend and not be too critical of the smallness of the decline. There seems to be little reason for expecting any drastic changes in this index in 1954, but we believe that the probabilities favor a slight decline.



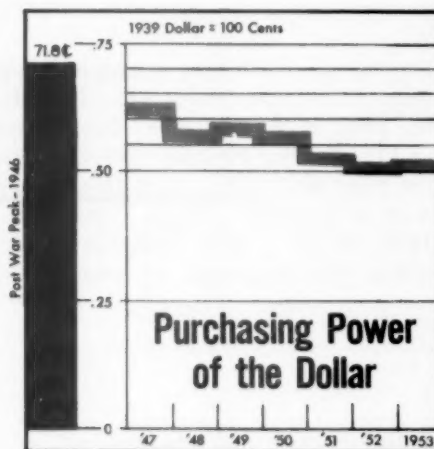
WHOLESALE LUMBER PRICES

In the last half of 1953 the index of wholesale lumber prices dropped 4.2%. We think that the odds favor further price drops in 1954 - nothing drastic, but probably bigger drops than will be experienced by the building materials field as a whole.

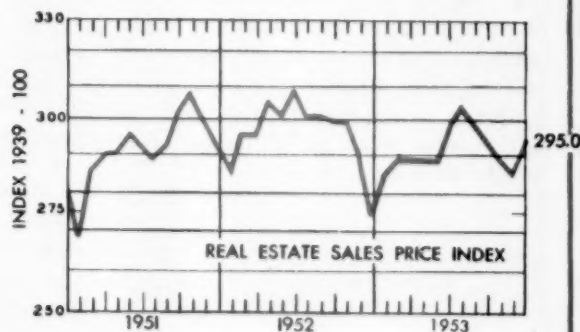
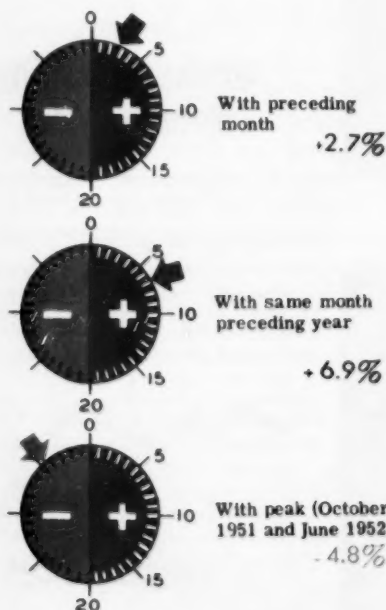


PURCHASING POWER OF THE DOLLAR

Whatever happens to the purchasing power of the dollar in 1954 is not going to make much difference to anybody. From a statistical viewpoint, it may be mildly interesting that the dollar was worth 52.5¢ in 1953, while it was worth only 52.4¢ in 1952. As an indication of increased purchasing power it is scarcely worth mentioning. The real significance, then, lies only in the fact that the steady deterioration of our dollar's value has at least temporarily been halted. Our guess is that 1954 may see the dollar pick up two-tenths of a cent in purchasing power instead of only one-tenth.



REAL ESTATE SALES PRICE COMPARISONS IN DEC. 1953



Since reaching identical postwar peaks in 1951 and 1952, the index of average sales prices of single-family residences has been in a slowly declining trend. Our index is based on sales data gathered in communities where properties have been well maintained and where no adverse neighborhood influences have existed. It seems likely that this downward trend will continue.